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CHARLES ELMORE CROPLEY

IN THE

Supreme Court of the United States

OCTOBER TERM, 1940

THE AMERICAN BRAKE SHOE AND FOUNDRY COMPANY,

Petitioner,

against

ALLTEX PRODUCTS CORPORATION,

Respondent.

REPLY BRIEF OF PETITIONER

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INDEX

PAGE

I. Both the courts below found the facts which require the conclusion of law that the words "Brake Block" have acquired a secondary meaning as the trade name of plaintiff's brake lining..... 3

II. The Court of Appeals denied relief in spite of the secondary meaning of "Brake Block" and "American Brakeblok", not because of its absence 6

III. Instead of answering the points upon which the petition for certiorari was based, respondent maintains that the conduct condemned by the Court of Appeals was right in the first place, and right to be continued 7

IV. By maintaining the right of its dealers and salesmen to continue the conduct which the Court of Appeals was unwilling to attribute to the respondent, respondent has removed from the case two of the three grounds on which the decision of that Court was based 8

V. It is impossible to distinguish this case from *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315, as respondent has sought to do..... 9

TABLE OF CASES CITED

PAGE

Armstrong Paint & Varnish Works v. *Nu-Enamel*, 305 U. S. 315 ..... 1, 2, 3, 9, 10, 11

Barton v. *Rex-Oil Co.*, (C. C. A. 3) 29 Fed. (2d) 474 4

Coca-Cola Co. v. *Koke Co.*, 254 U. S. 143, 146 4

Coca-Cola Co. v. *Old Dominion Beverage Corp.*, 271 Fed. 600 2

D. J. Bielzoff Products Co. v. *White Horse Distillers*, 107 Fed. (2d) 583 2

Elgin National Watch Co. v. *Illinois Watch Co.*, 179 U. S. 665 4

Federal Trade Commission v. *Winsted Hosiery Co.*, 258 U. S. 483, 493 11

In Re Coca-Cola Bottling Co. of Los Angeles, 49 Fed. (2d) 838 2

McLellan Stores Co. v. *Conrad & Co.*, 18 Fed. (2d) 826 2

Moxie Nerve Food Co. v. *Baumbach*, 32 Fed. 205 2

O'Cedar Corporation v. *F. W. Woolworth Co.*, (C. C. A. 7) 66 Fed. (2d) 363 4

Walter M. Lowney Co. v. *Chandler & Rudd Co.*, 12 Fed. (2d) 189 2

Warner & Co. v. *Eli Lilly & Co.*, 265 U. S. 526 10

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Respondent's answer to the petition proceeds as if the case was before this Court on the evidence, and as if the controversy concerned only the immediate parties to the suit. The writ was applied for because the courts below determined the case on the merits when they found the facts which require the relief which petitioner sought. This relief should have been granted if the lower courts had heeded *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315 and other decisions of this Court. The disregard of these binding precedents by the courts below raises a question of serious public importance, because it nullifies the Trade-Mark Act of 1920, to which this Court gave vitality and force in the *Nu-Enamel* case, and contravenes the law of unfair competition as heretofore established.

The District Court expressly found that "the plaintiff has established a secondary meaning of 'American Brake-blok' as indicating that it is the maker of the goods so marked" (R. 30), and that "the plaintiff's trademark

'American Brakeblok' although descriptive, was entitled to registration under the Trade-Mark Act of 1920" (R. 30). It necessarily follows that "National Brake Block" is a colorable imitation (*D. J. Bielzoff Products Co.* v. *White Horse Distillers,* 107 Fed. (2d) 583; *Moxie Nerve Food Co.* v. *Baumbach,* 32 Fed. 205; *In Re Coca-Cola Bottling Co. of Los Angeles,* 49 Fed. (2d) 838; *McLellan Stores Co.* v. *Conrad & Co.,* 18 Fed. (2d) 826; *Walter M. Lowney Co.* v. *Chandler & Rudd Co.,* 12 Fed. (2d) 189; *Coca-Cola Co.* v. *Old Dominion Beverage Corp.,* 271 Fed. 600), particularly since "Brake Block" alone means the plaintiff's lining to "a great many people", according to the District Court (R. 1454, 1461), and to "a substantial number of people," according to the Court of Appeals (R. 2089). Our adversaries forget that the act forbids the use of a "colorable imitation" of a registered mark (U. S. C. Tit. 15 Sec. 124). Where it is found that "American Brakeblok" has a secondary meaning designating petitioner's goods, and that "Brake Block" alone means this "to a great many people," for the courts below to hold that "National Brake Block" may be used by respondent deprives petitioner of a remedy which the statute confers, *i.e.* protection against colorable imitation.

The respondent's brief rests entirely on the assumption that the evidence showed, and that the District Court found, that "Brake Block" had not acquired a secondary meaning. The two points in respondent's brief are based solely on this premise. Thus, respondent argues (1) that *"Armstrong* v. *Nu-Enamel,* 305 U. S. 315, is inapplicable because of the finding of fact by the District Court of the absence of secondary meaning of 'brake block' * * *" (Respondent's Brief, p. 12); (2) that the District Court "having found

on adequate evidence that there was no secondary meaning as to the term 'brake block' it is futile to contend that it would be wrong to deliver defendant's product on a call for 'brake block'" (Respondent's Brief, p. 16). From this, respondent argues it was not infringement or unfair competition for it to use "Brake Block" in its trade name, for its dealers to sell "National Brake Block" on calls for "Brake Block", and for its salesmen to advise dealers to do just this.

If respondent is wrong in this basic assumption, its entire defense fails.

I. Both of the courts below found the facts which require the conclusion of law that the words "Brake Block" have acquired a secondary meaning as the trade name of plaintiff's brake lining.

This was first stated in a colloquy at the end of the case between the District Judge and petitioner's counsel:

> "Mr. Rogers: * * * the testimony is perfectly plain that a great many people say and ask for 'brake block' and mean American Brakeblok, and that is true.
>
> "The Court: Yes, that is true" (R. 1454).
>
> * * * * *
>
> "Mr. Rogers: * * * primarily and prima facie, brake block means the plaintiff.
>
> "The Court: Yes, I think that is so, and as I say, that is the whole business" (R. 1461).

To deny that this constitutes secondary meaning is to deny the principle itself. It is this consumer identification which constitutes secondary meaning (*Armstrong*

Paint & Varnish Works v. *Nu-Enamel Corporation,* 305 U. S. 315; *Elgin National Watch Co.* v. *Illinois Watch Co.,* 179 U. S. 665; *O'Cedar Corporation* v. *F. W. Woolworth Co.* [C. C. A. 7] 66 Fed. [2d] 363; *Barton* v. *Rex-Oil Co.* [C. C. A. 3] 29 Fed. [2d] 474).

The Court of Appeals said: "In spite of the absence of an express finding we think that the judge's disposition of the case implied the equivalent of such a finding", but immediately added: "However, we need not rest our decision on that assumption" (R. 2088). Judge Hand then specifically found the facts which establish the secondary meaning of "Brake Block" when he said:

> "* * * there are (car) owners who prefer the plaintiff's linings and expect to get them when they ask for 'brake block' " (R. 2090; interpolation ours).
>
> * * * * *
>
> "* * * there are a substantial number of people who understand 'brake block' to mean the plaintiff's linings, and we agree that this might have been enough to justify some relief in spite of the fact that there were also a number who did not so understand it" (R. 2089).

As this Court found that " 'Coca-Cola' probably means to most persons the plaintiff's familiar product" (*Coca-Cola Co.* v. *Koke Co.,* 254 U. S. 143, 146) so the Circuit Court of Appeals here found, "It is probably true that there are a substantial number of people who understand 'brake block' to mean the plaintiff's linings" (R. 2089). As this Court concluded that "Coca-Cola" "has acquired a secondary significance * * * to which the producer is entitled" (*Ibid*), so Judge Hand left no doubt that he considered the

secondary meaning of "Brake Block" established when he said (R. 2089):

> "At times courts have indeed seemed to assume that the owner of a secondary mark loses if he fails to show that substantially everybody supposes the mark to mean not only what it describes but that he, or some single maker or seller, is the source of the goods; but we need not go so far. *Arguendo* we will assume that if to a substantial part of the trade, though not by any means to all of it, a descriptive term has acquired a secondary meaning, competitors may be required to distinguish their wares in some way that will not impose upon them a disproportionally heavy burden. It is proper enough to protect a business though only a part of it is hurt; that accords with the principle which constitutes the whole law of the subject. *Hanover Star Milling Co.* v. *Metcalf,* 240 U. S. 403, 412-13, 414; *United Drug Co.* v. *Theodore Rectanus Co.,* 248 U. S. 90, 97; *Prestonettes, Inc.* v. *Coty,* 264 U. S. 359, 368; *Caron Corp.* v. *V. Vivadou, Inc.,* 4 Fed. (2) 995, 996-97; *Parfumerie Roger & Gallet* v. *M. C. M. Co., Inc.,* 24 Fed. (2) 698, 699; *Industrial Rayon Corp.* v. *Dutchess Underwear Corp.,* 92 Fed. (2) 33, 35.
>
> "In the case at bar this might have led us to give some relief, even though we did not forbid all use of the words 'brake block', except for the way in which these goods are marketed."

Unless "Brake Block" had a secondary meaning as the trade name (or abbreviation of the trade name) of petitioner's brake lining, and unless respondents trade name "National Brake Block" was deceptively similar to it, there would be no reason to grant relief against respondent's

use of these words in its trade name, had the goods been marketed with the label intact.

Unless "brake block" has a secondary meaning to car owners, as indicating the plaintiff's linings, they would not "expect to get them when they asked for 'brake block' " (R. 2090).

Unless it has a secondary meaning to dealers, they would not "know that the owner wants the plaintiff's" linings (R. 2089) "when they ask for 'brake block'."

Unless it has a secondary meaning to car owners, it would not be "unscrupulous" for dealers to sell "National Brake Block" on calls for "brake block".

Unless it has a secondary meaning, it would not be fraudulent for the defendant's own salesmen to advise them "to do just this" (R. 2089).

II. The Court of Appeals denied relief in spite of the secondary meaning of "Brake Block" and "American Brakeblok", not because of its absence.

The ground of the decision was that relief would be denied in spite of the secondary meaning of "Brake Block":

(1) Because of "the way in which these goods are marketed" (R. 2089), *i.e.*, with the label removed. This circumstance led the Court of Appeals to conclude: "If a dishonest repair shop or service station has meanwhile substituted the defendant's lining, the defendant's use of the word 'brake block' has not helped him in the fraud" (R. 2090).

(2) Because: "To succeed, the plaintiff was therefore bound to show that repair shops or service stations were deceived, and that it failed to do" (R. 2090).

(3) Because: "There is no evidence to impute to the defendant the proposals of some of its salesmen that dealers should fraudulently substitute the defendant's linings for the plaintiff's" (R. 2090).

The certiorari petition and brief were directed to showing why, it is believed, the Court of Appeals was in error in each of these three grounds for its decision. Respondent has not met any of these points.

III. Instead of answering the points upon which the petition for certiorari was based, respondent maintains that the conduct condemned by the Court of Appeals was right in the first place, and right to be continued.

Disagreeing with the Court of Appeals, respondent argues (in its items 1 to 6, inclusive) from the evidence that "Brake Block" does not mean the petitioner's product. Insisting that the Trial Court found that "Brake Block" had no secondary meaning, respondent argues that this was the correct result under the evidence. Therefore, respondent says that it was not wrong for it to use "Brake Block" as an important part of its trade name, coupled with "National" which suggests "American", although the Court of Appeals found there are "a substantial number of people who understand 'brake block' to mean the plaintiff's linings" (R. 2089); that it was not wrong for dealers to sell "National Brake Block" on calls for "Brake Block", although the Court of Appeals held that this amounted to substitut-

ing the "defendant's linings for the plaintiff's" (R. 2089); and that it was not wrong for defendant's salesmen to advise them "to do just this" (R. 2089), although the Court of Appeals characterized this proposal as fraudulent (R. 2090). In the words of the respondent's brief: "The Court having found on adequate evidence that there was no secondary meaning as to the term 'brake block' it is futile to contend that it would be wrong to deliver defendant's product on a call for 'brake block'" (p. 16).

Impervious to the rejection of this contention by the Court of Appeals, respondent maintains that it is right for it to continue to use "National Brake Block" as its trade name, for its dealers to continue to sell "National Brake Block" on calls for "Brake Block", and for its salesmen to continue to advise them to do this. Here, then, is a clear ratification of the past acts of the dealers and salesmen, and an authorization for their continuance.

IV. By maintaining the right of its dealers and salesmen to continue the conduct which the Court of Appeals was unwilling to attribute to the respondent, respondent has removed from the case two of the three grounds on which the decision of that Court was based.

1. It removes the question whether there is "evidence to impute to the defendant the proposals of some of its salesmen that dealers should fraudulently substitute the defendant's linings for the plaintiff's" (R. 2090), since respondent now ratifies these proposals and approves their continuance.

2. It removes the question whether respondent is chargeable with the fraud of its "unscrupulous dealers" in substituting its linings for the petitioner's, since respondent now ratifies the proposal by its agents to dealers that the dealers should do this, and approves the continuation of this conduct both by the dealers and the salesmen.

Thus the respondent withdraws two of the grounds upon which the Court of Appeals relied. On this basis, alone, it is respectfully urged that the certiorari petition should be granted, and the judgment of the courts below reversed.

V. It is impossible to distinguish this case from *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation*, 305 U. S. 315, as respondent has sought to do.

There, as here, the District Court made no finding of secondary meaning and dismissed the complaint. On appeal, however, this Court held that "Nu-Enamel" had acquired a secondary meaning for enamel, because the record established the fact upon which this conclusion depended, namely, an admission by the defendant "that the name 'Nu-Enamel' has come to mean and is understood to mean * * * the plaintiff and plaintiff's products only * * *" (*Nu-Enamel Record*, p. 13). The only difference in this respect is that, in the present case, the fact that "Brake Block" is understood to mean plaintiff's brake lining was found by the Court of Appeals upon the evidence, and in the *Nu-Enamel* case it was found by this Court upon the defendant's admission. Respondent apprehends that this Court found a secondary meaning for "Nu-Enamel" only because

defendant therein conceded it. Mr. Justice Reed did not so regard it. He pointed out that the facts "justified petitioner's concession that the name means respondent and respondent's products only and the word distinguishes its goods from others of the same class" (*Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315, 334).

In the present case, as in the *Nu-Enamel* case, there is no similarity of labels of plaintiff and defendant except in the trade names. Respondent is in error here when it says of the *Nu-Enamel* case: "The established facts in that case evidenced a slavish imitation by defendant of the shape, color, design and dress of plaintiff's package * * *" (Respondent's Brief, p. 12). A reference to the record in the *Nu-Enamel* case (pp. 7, 11) shows that the labels are wholly dissimilar; and that there is no mention of label imitation either in the complaint, the opinions, or the findings of this or the courts below.

The fact that in the present case the labels were sometimes removed before sale to the consumer does not differentiate it from the *Nu-Enamel* case. There the record showed numerous instances of passing off in which the purchaser "didn't see the can" at the time of the sale, because it was delivered to him in wrapping paper (*Nu-Enamel* Record, pp. 57-8). This fact had no more effect on the result in that case than in *Warner & Co.* v. *Eli Lilly & Co.,* 265 U. S. 526, and other cases cited at pages 14 and 15 of the certiorari petition and brief, where this was true even to a greater degree.

In the *Nu-Enamel* case, as in this, the dealers who passed off were not deceived, and knew exactly what they were getting, just as in *Warner & Co.* v. *Eli Lilly & Co.,*

265 U. S. 526, 530, and *Federal Trade Commission* v. *Winsted Hosiery Co.*, 258 U. S. 483, 493, where it was held that this fact did not relieve the defendant manufacturer from liability.

The only difference between this and the *Nu-Enamel* case is:

(1) That in that case "Nu-Enamel" was held to have acquired a secondary meaning for enamel, while in this case "Brake Block" was held to have acquired a secondary meaning for "the plaintiff's linings" in "long, narrow strips ordinarily not over three-eighths of an inch thick" (Ex. 2), which "are not properly 'blocks'" (Exs. 5, 8; R. 2087); and

(2) That in the *Nu-Enamel* case an injunction was granted without a finding of fraud by dealers, deliberately connived in by the defendant's salesmen, while in this case an injunction was denied in spite of an express finding of these facts by the Circuit Court of Appeals.

The present controversy arises from the failure of the respondent to distinguish the difference between primary and secondary meaning. Because of this, it fails to distinguish between a trade-mark use and a descriptive use of "Brake Block". Insisting that it has the right to use descriptive words in a descriptive way (which petitioner does not deny), it uses them only "as a trade-mark or trade name" which is prohibited by the principle of secondary meaning as declared in the *Nu-Enamel* case, although in the older cases, which the courts below had in mind (R. 30, 2089), denominative use was permitted when the products were otherwise differentiated.

Finding that "there are a substantial number of people who understand 'brake block' to mean the plaintiff's linings" (R. 2089), the Court of Appeals has found that it has a secondary meaning. Finding that "in the case at bar this might have led us to give some relief, even though we did not forbid all use of the words 'brake block', except for the way in which these goods are marketed" (R. 2089), it has found that the trade-mark "National Brake Block" is deceptively similar to "American Brakeblok", and its abbreviation "Brake Block". Finding that "apparently, unscrupulous dealers substitute the defendant's linings for the plaintiff's when they know that the owner wants the plaintiff's; and indeed there is some evidence that the defendant's own salesmen have advised dealers to do just this" (R. 2089), the Court of Appeals has added the final fact which establishes the right to relief.

The unscrupulous dealers "know that the owner wants the plaintiff's", because they know "there are owners who prefer the plaintiff's linings and expect to get them when they ask for 'brake block' " (R. 2090). Every dealer knows it when the car owner asks for "American Brakeblok", including those who passed off "National Brake Block" on calls for "American Brakeblok", and made no denial of it (Exs. 88, 91, 104).

In the words of Judge Hand, "It is the car owners whom the repair shops and service stations deceive" (R. 2090), and, as he says, the car owner is "the last buyer". This last buyer accepts the respondent's goods in the belief they are the plaintiff's, because its name "National Brake Block" is so similar to the name "American Brakeblok" and "Brake Block", by which the plaintiff's linings are known, as to suggest the deception to the repair shops and service sta-

tions. This deceptive similarity of defendant's name to plaintiff's is implicit in the twice-repeated statement of the Court of Appeals that it would have granted relief (R. 2089), but for the fact that the labels were removed by the service stations before sale to the last buyer. Unless the name on defendant's label was deceptively similar to plaintiff's, there would be no reason to grant relief. Respondent's use of this deceptive trade name suggested to its service stations and salesmen that the product be used in a deceptive way. It was in response to this deceptive suggestion that "unscrupulous dealers substitute the defendant's linings for the plaintiff's (R. 2089), and that "defendant's own salesmen have advised dealers to do just this" (R. 2089).

Respondent has been permitted to escape liability for its adoption of an unquestionably deceptive trade name, for the unquestionably fraudulent use thereof by dealers, and for the unquestionable connivance of its agents, for the reason:

(1) That the "unscrupulous dealers" deprive the purchaser of any opportunity to detect the fraud, by removing the respondent's deceptive labels before making the substitution which the name on the label suggests;

(2) That they do not pass off the defendant's goods innocently, in the belief they are giving the consumer "American Brakeblok", but deliberately, with knowledge that they are commiting the fraud which the respondent suggested to them by the deceptive trade name on the label;

(3) That the manufacturer of the goods bearing this deceptive trade-mark is not responsible when its dealers

follow this suggestion, even when its "own salesmen have advised dealers to do just this" (R. 2089), and the manufacturer defends their right to do it.

To the best of petitioner's knowledge, there are no cases which support these grounds for denying relief against this type of conduct. None is cited by the Court of Appeals, and none by the respondent. On the contrary, this Court has decided each one of these questions to the contrary, as set out in the certiorari petition and brief.

If this case is to stand, it will cause great uncertainty because of its conflict with earlier decisions, and become a refuge for those who engage in the practices of this respondent, its "unscrupulous dealers", and fraudulent salesmen. It ignores the Trade-Mark Act of 1920 by declining to follow the decision of this Court which made it an effective weapon against fraud. With respect to the courts below, the effect of this decision is to remove from the reach of Equity a type of conduct heretofore regarded by this Court, and by the courts below, as unfair competition in its most rudimentary form.

Respectfully submitted,

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Ed.